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Message Text

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43
ACTION EUR-12

INFO OCT-01 AF-06 NEA-09 ISO-00 EURE-00 SSO-00 NSCE-00

USIE-00 INRE-00 CIAE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 SAM-01 OPIC-03

EB-07 COME-00 TRSE-00 FTC-01 FRB-03 CIEP-01 /082 W
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O R 171207Z MAR 75
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 2110
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMCONSUL LOURENCO MARQUES
AMCONSUL LUANDA
AMEMBASSY MADRID
AMEMBASSY PARIS
AMEMBASSY RABAT
AMEMBASSY STOCKHOLM
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

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EO 11652: N/A
TAGS: EFIN, PINT, PO
SUBJ: INSURANCE COMPANIES NATIONALIZED

REF: (A) LISBON 1423; (B) LISBON 1442; (C) LISBON 1445

1. HARD ON THE HEELS OF BANK NATIONALIZATION (REFS (A) AND (B)), REVOLUTIONARY COUNCIL MARCH 15 NATIONALIZED ALL INSURANCE COMPANIES IN METROPOLITAN PORTUGAL WITH EXCEPTION OF THOSE WITH "SIGNIFICANT CAPITAL PARTICIPATION OF FOREIGN COMPANIES."
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2. THE NATIONALIZED INSURANCE COMPANIES, LIKE THE BANKS, WILL BE ADMINISTERED BY GOVERNMENT-APPOINTED COMMITTEES. THE GOVERNMENT WILL ALSO NAME DELEGATES TO COMPANIES WITH FOREIGN PARTICIPATION TO ASSURE THAT THE INTERESTS OF THE STATE ARE MAINTAINED.

3. ACCORDING TO PRESS REPORTS THE LEGITIMATE INTERESTS OF SHAREHOLDERS WILL BE PROTECTED THROUGH LEGISLATION THAT WILL BE PUBLISHED ESTABLISHING CRITERIA FOR REIMBURSEMENT.

4. THE INSURANCE COMPANIES ARE CLOSED MARCH 17 BUT REPORTEDLY WILL REOPEN MARCH 18.

5. COMMENT:

A. GIVEN CURRENT PROPENSITIES OF GOP, INSURANCE NATIONALIZATION IS A LOGICAL STEP FOLLOWING TAKEOVER OF THE PRIVATE BANKING SYSTEM. THE SAME INDUSTRIAL GROUPS THAT DOMINATED BANKING ALSO DOMINATED INSURANCE; E.G. THE BIGGEST COMPANIES BELONGED TO THE CUF, ESPIRITO SANTO, AND CHAMPALIMAUD GROUPS.

B. AS IN THE CASE OF BANKING, TAKEOVER OF THE INSURANCE INDUSTRY GIVES THE GOVERNMENT ADDITIONAL LEVERAGE OVER OTHER INDUSTRIES CONTROLLED BY THE BIG GROUPS. THESE GROUPS HAD USED THEIR INSURANCE COMPANIES TO GAIN MAJORITY INTERESTS IN A NUMBER OF ENTERPRISES.

C. NO U.S. INTERESTS ARE KNOWN TO BE DIRECTLY INVOLVED. THE LARGEST FOREIGN INVOLVEMENT IS THAT OF BRITISH COMPANIES. (LATEST FIGURES AVAILABLE SHOW 43 PORTUGUESE AND 37 FOREIGN COMPANIES. OF THE LATTER 24 ARE BRITISH AND FIVE ARE FRENCH. ALTHOUGH THE NUMBER OF FOREIGN COMPANIES IS LARGE, THE INDUSTRY IS DOMINATED BY THE PORTUGUESE COMPANIES.)

D. IT IS NOT CLEAR WHETHER COMPENSATION MENTIONED IN CONNECTION WITH INSURANCE WILL BE EXTENDED TO BANKING. IN ANY EVENT, COMPENSATION IS LIKELY TO BE OF THE DEFERRED VARIETY LIKE THAT OFFERED WHEN THE THREE BANKS OF ISSUE WERE NATIONALIZED LAST FALL; I.E., LONG-TERM LOW INTEREST BONDS.

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E. ACCORDING TO FRENCH COMMERCIAL COUNSELOR, HE HAS NOT BEEB APPROACHED BY FRENCH INSURANCE COMPANIES OPERATING HERE. BRITISH INSURANCE BROKER HAS INFORMED US THAT BROKERAGE FIRMS ARE NOT INVOLVED IN NATIONALIZATION, AND HE EXPECTS TO CONTINUE IN BUSINESS, HE EXPRESSED DOUBTS THAT GOVERNMENT, IF IT PURGES INSURANCE EXECUTIVES AS PART OF NATIONALIZATION, CAN FIND SUFFICIENT EXPERTISE TO RUN THE INSURANCE BUSINESS PROPERLY.

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F. POPULAR REACTION, AS WHIPPED UP AND REPORTED BY THE MEDIA, IS
ENTHUSIASTIC.
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